

IRS News Release

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New State Sales Tax Calculator Debuts on IRS.gov

IR-2007-19, Jan. 29, 2007

WASHINGTON — The Internal Revenue Service is providing a new online tool to help individual taxpayers determine whether they might benefit by electing to deduct their state and local general sales taxes.

“The Sales Tax Calculator is another interactive tool on the IRS.gov web site designed to help make it easier for taxpayers to figure their taxes,” said IRS Commissioner Mark W. Everson.

Taxpayers who itemize deductions on Schedule A of the Form 1040 in 2006 have the option of deducting the amount of state and local sales taxes paid instead of deducting their state and local income taxes paid. Taxpayers cannot take a deduction for both sales and income taxes.

New tax law enacted in late December reinstated the optional deduction for state and local sales taxes. Because of this late enactment date, the IRS previously announced that it would not begin processing returns claiming the sales tax deduction until Feb. 3.

To use the Sales Tax Calculator, taxpayers input their adjusted gross income, number of exemptions and zip code. The IRS estimates most taxpayers will get an answer in less than five minutes using the new tool.

The calculator is anonymous. Taxpayers do not need to enter their name, Social Security number or any other identifying information. The calculator is another in a series of steps the IRS is taking to reduce taxpayer burden.

As an alternate to the online sales tax calculator, taxpayers can use the worksheet in Publication 600, State and Local General Sales Tax, posted on IRS.gov and mailed in early January to about six million individuals who received the Form 1040 tax package.

To calculate what their sales tax deduction would be, taxpayers can use either the actual amounts paid or use sales tax tables that allow them to factor in the exact sales taxes paid on certain specified items, such as a car, boat or material to build a house.

To find this tool, enter Sales Tax Calculator into the search box at IRS.gov.